

**ISLAND COUNTY COMBINED SPECIAL PURPOSE DISTRICTS**  
**Island County, Washington**  
**January 1, 1993 Through December 31, 1995**

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**Schedule Of Findings ) Juniper Beach Water District**

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1. District Officials Should Enforce Collection Of Water Connection Charges

Our tests of district customer accounts receivable records disclosed that district officials are not enforcing the collection of water connection charges as required by statute. We found that, as of March 7, 1997, there were approximately thirty accounts with unpaid balances totaling \$10,000 from 1996 and 10 accounts totaling \$4,000 going back as far as 1993.

RCW 57.08.080 states:

The commissioners shall enforce collection of the water connection charges and rates and charges for water supplied against property owners connecting with the system and/or receiving such water, such charges being deemed charges against the property served, by addition of penalties of not more than ten percent thereof in case of failure to pay the charges at times fixed by resolution. The commissioners may provide by resolution that where either water connection charges or rates and charges for water supplied are delinquent for any specified period of time, the district shall certify the delinquencies to the treasurer of the county in which the real property is located, and the charges and any penalties added thereto and interest thereon at the rate of not more than eight percent per year shall be a lien against the property upon which the service was received, subject only to the lien for general taxes.

RCW 57.08.090 states in part:

The district may, at any time after the connection charges or rates and charges for water supplied and penalties are delinquent for a period of sixty days, bring suit in foreclosure by civil action in the superior court of the county in which the real property is located . . . In addition to the right to foreclose provided in this section, the district may also cut off all or part of the service after charges for water supplied are delinquent for a period of sixty days.

Officials have not enforced collection of charges because improvements funded by the charges have been delayed due to various external factors.

Failure to assess late payment penalties and interest on outstanding balances results in a financial loss to the district and weakens the district's legal status for the enforcement and collection of late water usage payments.

We recommend that district officials enforce collection of water connection charges.

2. District Officials Should Improve Control Over Cash And Investments

During our review of district cash receipts, disbursements, and balances, we found that district officials do not maintain a record of the district's cash or investment balances, but they rely on reports received from the Island County Treasurer's and Auditor's Offices. District revenues, expenditures, and cash and investment balances are not reconciled to the county's records on a periodic basis. Washington State statutes and good internal control, require maintaining records of financial activity and the performance of periodic reconciliations.

RCW 43.09.200 states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments which shall be uniform for every public institution, and every public office . . . The accounts shall show the receipt, use and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept or required to be kept, necessary to isolate and prove the validity of every transaction . . . .

According to the American Institute of Certified Public Accountant's *Statement on Auditing Standards* No. 78 ) Consideration of Internal Control in a Financial Statement Audit, internal control is a process effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with laws and regulations.

As a result of not maintaining district records of cash and investment balances or reconciling the balances and activity to the county's records, errors or irregularities could occur which might not be detected on a timely basis.

Officials did not maintain these records or perform reconciliations because they were not aware of the requirements.

We recommend that district officials improve control over cash and investments. Specifically, we recommend that a record be maintained of the district's cash and investment balances and activity and that this record be reconciled to reports received from Island County on a monthly basis.

Auditee's Response

*Thank you for providing the copy of the preliminary draft of the Auditor's Findings for our review.*

*We appreciate the thoroughness of your Audit and your interest in both reviewing with us the applicable regulations governing District operations and explaining the options available to us in meeting these obligations.*

*The Commissioners share your concern with regard to the extended delinquencies reflected in the District's accounts receivables. To address this concern the Board in 1994 requested pursuit of*

*new billing procedures which would enable greater oversight of delinquent accounts. These new procedures whose installation began in the summer of 1995 are, after several extensive delays beginning with a fire in the fall of 1995, now implemented.*

*This new computer generated billing program enables the aging of delinquent accounts which will be reviewed by the Board at each regularly scheduled public meeting. As a result of this visibility and in deference to financial impacts resulting from District billing delays, it is the Board's intent to pursue collection of such delinquent accounts in accordance with those options set forth in State Law.*

*In considering your findings with regard to improved control over cash and investments it should be noted that although unaware of specific requirements it was in part the Board's concern in this area which led to the decision to proceed with the Quickbook computer accounting system. It was felt that this system could provide the oversight required for both the District's accounts receivable and District operations. However until such system is fully implemented on the computer and in support of such program the District is, as suggested, implementing a ledger control system to improve internal control and enable periodic reconciliation with the County records in both the Auditor's office and the Treasurer's office.*

*It is sincerely hoped that these improvements will address the concerns of the Auditor's Office. Again I would like to thank you and your office for your patience, your professionalism and most important your help and suggestions in assuring that our District complies with statutory requirements and protects the investments and rights of residents and property owners within the District.*

#### Auditor's Concluding Remarks

We would like to thank the district's management for its response to our report finding. Based upon the response, we feel that the issues delineated in our report are being addressed. We will review this area in our subsequent audit.

We would also like to take this opportunity to express our appreciation for the assistance and cooperation we received throughout the audit.